

## Message Text

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51

ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 TRSE-00 XMB-04 EA-10 L-03

SP-02 CIAE-00 INR-07 NSAE-00 OMB-01 /045 W

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R 240804Z JUN 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1668

UNCLAS JIDDA 4560

PASS COMMERCE FOR CAGNE

E.O. 11652: N/A

TAGS: BEXP, SA, US

SUBJECT: ANACONDA XENEL WIRE PROJECT COMING UNSTUCK

REF: A. JIDDA 7615, 12/31/74; B. JIDDA 6930, 11/25/74, AND  
PREVIOUS

1. WITH A SENSE OF DEJA VU WE MUST REPORT THAT THE JOINT VENTURE BETWEEN ANACONDA AND THE ALI REZA GROUP IS COMING UNSTUCK AGAIN. ACCORDING TO KHALID ALI REZA, ANACONDA HAS INFORMED HISHAM ALI REZA IN NEW YORK THAT THEY WILL NOT COMPLY WITH THE LOAN GUARANTEE CLAUSE OF THE AGREEMENT. DEPARTMENT WILL REMEMBER THAT THIS WAS THE REASON THE PROJECT FELL ONCE BEFORE, AS REPORTED IN REF. A. ACCORDING TO ALI REZA, THE SAUDI INDUSTRIAL DEVELOPMENT FUND HAS REQUIRED THE JOINT VENTURE TO COME UP WITH ADDITIONAL CAPITAL IN THE SUM OF \$2 MILLION. ANACONDA'S SHARE WOULD BE \$800,000 AND THE SAUDI PARTNERS WOULD NEED \$1.2 MILLION. IT IS A LOAN FOR THE LATTER AMOUNT WHICH MUST BE GUARANTEED.

2. ALI REZA INSISTS THAT HE HAS TURNED DOWN A VERY LUCRATIVE OFFER FROM A JAPANESE FIRM JUST TO "GO AMERICAN." (PAST HISTORY INDICATES JAPANESE MAY HAVE PULLED OUT FOR OTHER REASONS). HE NOW FEELS EXTREMELY EMBARRASSED TO HAVE GONE ALL THE WAY TO GET APPROVAL OF THE JOINT VENTURE, ONLY TO HAVE HIS AMERICAN PARTNERS  
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BACK OUT. HE INSISTS THAT XENEL MET ALL OF ITS

OBLIGATIONS: LAND, UTILITIES, EVEN MORE CAPITAL FROM THE SIDE THAN THEY PROMISED, ETC.

3. NOW ALI REZA BELIEVES THE USG, WHICH ENCOURAGED HIM TO DEAL WITH AN AMERICAN COMPANY, SHOULD GET BEHIND HIM FOR POLITICAL REASONS AND URGE ANACONDA TO LIVE UP TO ITS COMMITMENTS.

4. WE HAVE NO WAY WHATSOEVER OF REALLY DIGGING INTO THE MERITS OF ALI REZA'S ALLEGATIONS. WE WOULD LIKE TO KNOW WHAT WENT WRONG, HOWEVER, AND WOULD STILL LIKE TO SEE THE PROJECT GO AHEAD IF THERE IS ANY REAL CHANCE FOR A SUCCESSFUL VENTURE.

5. ALI REZA SAYS HE IS READY TO TRAVEL TO NEW YORK ON A MOMENT'S NOTICE TO DISCUSS THIS PROJECT WITH MR. PACE, ANACONDA CHAIRMAN.

6. ACTION REQUESTED: REQUEST THAT COMMERCE'S FOREIGN INVESTMENT SERVICES STAFF CONTACT ANACONDA TO DETERMINE ANACONDA SIDE OF PROBLEM AND WHETHER OR NOT ANYTHING CAN BE SALVAGED.  
HORAN

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## Message Attributes

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